

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6148

BILL NUMBER: SB 123

NOTE PREPARED: Nov 24, 2012

BILL AMENDED:

SUBJECT: Public Employee Salary Limitation.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that the salary paid from state or local appropriations to a public officer, employee, or contractor of the executive, legislative, and judicial branches of state government, state educational institutions, political subdivisions, or bodies corporate and politic of the state or a political subdivision may not exceed the salary paid to the Governor, except that the salary of a contractor or employee of a state educational institution may be supplemented with amounts paid by or through an endowment that is not funded by taxes, fees, or appropriations of money from the treasury of the state or a political subdivision.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *State Employees:* The bill requires that salaries of state employees will be capped at the salary amount paid to the Governor. In 2012, the Governor's salary was \$107,881.

In total, the bill would reduce state salary expenditures by around \$16 M (see Table 1 below). State expenditures for fringe benefit costs, including pension contributions, would also decrease by approximately \$3.6 M. In FY 2014, the state will pay an additional 22.23% of salary costs for fringe benefits and pension contributions for full-time employees. The total expenditure savings under the bill would therefore be \$19.6 M in the first year.

Table 1: Summary of All State Employees with Pay Affected by Public Salary Cap						
	<i>Appointed</i>		<i>Elected</i>		<i>Total</i>	
Branch of Government	Number	Salary Savings	Number	Salary Savings	Number	Salary Savings
Executive	83	\$2.2 M			83	\$2.2 M
Judicial	208	\$3.9 M	402	\$8.9 M	610	\$12.8 M
Legislative	18	\$0.3 M	150	\$0.6 M	168	\$0.9 M
Other*	7	\$0.08 M			7	\$0.08 M
Total	316	\$6.5 M	552	\$9.5 M	868	\$16.0 M
* State employees listed under "Other" work for a state office with an independently elected head, including the offices of the Auditor of State, Attorney General, and Superintendent of Education						

Under the bill, the salaries of 868 individuals paid by the state would be affected. These include those individuals who earn higher salaries than the Governor as well as individuals in judicial and legislative positions that earn less than the Governor, but whose salary is set in statute as a percentage of the salary earned by higher-earning judicial officers.

In addition to appointed members of the executive, judicial and legislative branches, specific positions affected by the provisions in the bill include members of the General Assembly, Supreme Court justices, court of appeals judges, tax court judges, elected trial court judges and elected prosecutors. Psychiatrists, physicians, and pharmacists working at state hospitals would also be impacted by the salary cap in the bill.

Under the bill, some impacted state agencies may need to hire additional part-time individuals for certain positions in order to cover the necessary work load while staying under the required cap amount and recruit qualified employees. If the proposal indeed led to additional hiring or turnover, the savings realized under the bill would decrease due to the costs associated with hiring and training.

Judicial Officers and Members of the General Assembly: This bill would reduce the salaries of 601 judicial officers and 150 members of the General Assembly.

To estimate the salary savings to the state, LSA assumed that the salaries of the Supreme Court justices, the judges of the Court of Appeals, the judge of the Tax Court, trial court judges and the prosecuting attorneys would all receive the same salary as the Governor.

The salary of the remaining positions (magistrates, prosecutors, chief deputy prosecutors, deputy prosecutors and members of the General Assembly) are based on percentages of the salary of the trial court judges or full-time prosecutors (See Table 2 below).

Table 2: Effect of the Proposal on the Salaries of General Assembly Members and Judicial Officers					
Office	No.	Elected/ Appointed	Current Salary	Salary Based On	New Salary
General Assembly Members	150	Elected	\$23,414	18% of trial court judges	\$19,419
Supreme Court Justices	5	Appointed	\$156,667	Fixed in Statute	\$107,881
Judges of Courts of Appeals & Tax Ct	16	Appointed	\$152,293	Fixed in Statute	\$107,881
Trial Court Judges and Prosecutors	394	Elected	\$130,080	Fixed in statute	\$107,881
Full-Time Chief Deputy Prosecutors	89	Appointed	\$97,560	75% of Prosecutors	\$80,911
Full-Time Deputy Prosecutors (A)	15	Appointed	\$64,390	75% of Part-Time Prosecutors (A)	\$52,592
Full-Time Deputy Prosecutors (B)	12	Appointed	\$58,536	75% of Part-Time Prosecutors (B)	\$48,546
Part-Time Prosecutors (A)	1	Elected	\$85,853	66% of Prosecutors	\$70,123
Part-Time Prosecutors (B)	7	Elected	\$78,048	60% of Prosecutors	\$64,729
Part-Time Chief Dep Prosecutors (A)	3	Appointed	\$64,390	75% of Part-Time Prosecutor (A)	\$52,592
Part-Time Chief Dep Prosecutors (B)	0	Appointed	\$58,536	75% of Part-Time Prosecutor (B)	\$48,546

Public College and University Employees: Based on 2009-2010 salary data from public colleges and universities in Indiana, approximately 2,400 employees were earning more than the Governor's 2012 salary. Salary earned above the cap totaled around \$96 M. Under the bill, it is possible for salaries for those individuals to be supplemented through endowments not paid for using taxes, fees, or appropriations from the state or political subdivisions. Employee salaries for public colleges and universities are paid for through General Fund appropriations, student tuition and grants.

Contractors: Individuals who provide services as a contractor to the state, a state educational institution or another entity or body of the state are also affected by this bill. Under the bill, it is possible for salaries for those individuals to be supplemented through endowments not paid for using taxes, fees, or appropriations from the state or political subdivisions.

Explanation of State Revenues: The bill would decrease the amount of state income tax collected from employees who see a pay cut under the proposal. Income tax collections would decline by the decrease in taxable income multiplied by the state income tax rate of 3.4%.

Explanation of Local Expenditures: *Local Government Employees:* The salary cap imposed in the bill would also apply to local government employees, including school corporations. In 2011, 115 school superintendents earned more than \$110,000. At this time however, it is unknown how many total local government employees earn in excess of the salary cap within the bill.

Contractors: Individuals who provide services as a contractor to local political subdivisions are also affected by this bill . Under the bill, it is possible for salaries for those individuals to be supplemented through endowments not paid for using taxes, fees, or appropriations from the state or political subdivisions.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: All

Information Sources: Indiana Transparency Portal (www.in.gov/itp/2406.htm); Indianapolis Star State of Indiana Employee Salaries database (www.indystar.com/data/government/state_salaries_search.shtml), accessed December 30, 2011; Minutes of Interim Study Committee on Education Issues Meeting 8/25/2011, Exhibit B.

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